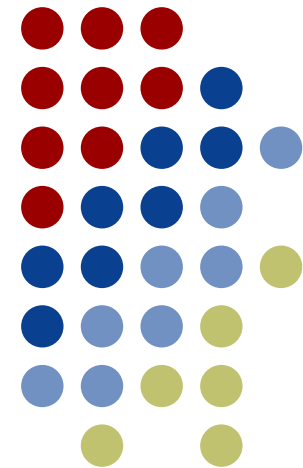


Caribbean Actuarial Association

Pensions in UK – All Change!

Michael Pomery

2 December 2005



Pensions in UK – All Change!

Agenda

- New Regulations
 - Compensation
 - Funding
- New Tax Laws
- Pension Commission Report

Compensation

- Pension Protection Fund (PPF) established 1 April 2005
- Coverage
 - 100% of retiree benefits
 - 90% of other benefits, capped at £25,000 pa pension
 - Reduced indexation

Compensation

- Levy on all schemes
 - 20% by number of members
 - 80% risk based
- Risk based levy
 - Size of deficit in PPF terms
 - Probability of sponsor default

Funding

- Scheme specific
- Assumptions must be “prudent”
- Statement of Funding Principles
- Trustees take actuarial advice and agree with Employer

Funding

- Regulator's “trigger points”
 - Size of deficit
 - Length of recovery period
- Financial strength of employer is crucial
- “Moral hazard” and clearance procedure

Tax Changes (6 April 2006)

- Single regime (replacing eight!)
- One benefit limit, checked at retirement only
 - £1.5 million capital value (20:1)
 - Extra tax charge if exceeded
- One annual contribution limit for tax relief
 - £215,000, or 100% of pay
- Flexibility around retirement

Pension Commission Report

- Published 30 November 2005
- Hot off the press!